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011-1-1-1-57

HOUSING AUTHORITY OF INDEPENDENCE, LOUISIANA

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED SEPTEMBER 30, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 03/21/01

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION

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HOUSING AUTHORITY OF INDEPENDENCE

SUMMARY OF AUDITOR'S RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

- A. We issued an unqualified opinion on the Housing Authority of Independence, Louisiana for the audit of its combined financial statements for the year ended September 30, 2000.
- B. The combined financial statements are prepared on the Enterprise Method. See Auditor's Report and Note A.
- C. No reportable conditions in internal control were disclosed by our audit of the financial statements
- D. The audit did not disclose any noncompliance which is material to the financial statements.
- E. No reportable conditions in internal control were disclosed by our audit over major programs.
- F. We issued an unqualified opinion on compliance for major programs.
- G. Our audit disclosed no audit findings that we are required to report under 510(a) of OMB Circular A-133.
- H. Major programs are as follows, and see Schedule of Federal Expenditures for CFDA numbers and amounts:
 - 1. Low Income Housing
 - 2. CIAP
 - 3. Section 8 HAP - Voucher

HOUSING AUTHORITY OF INDEPENDENCE

SUMMARY OF AUDITOR'S RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS

- I. The dollar threshold to distinguish Type A and Type B programs is \$300,000.
- J. The Housing Authority of Independence, Louisiana did not qualify for the year ended September 30, 2000 as a low-risk auditee.

Schedule of Findings and Questioned Costs

- K. There are no findings in these financial statements that are required to be reported in accordance with GAGAS.
- L. There are no audit findings or questioned costs for Federal awards which shall include audit findings as described in 510a of OMB Circular A-133.

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Independent Auditor's Report

Board of Commissioners
Housing Authority of Independence
Independence, Louisiana

Regional Inspector General for Audit
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Independence, Louisiana at and for the year ended September 30, 2000, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Independence, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Independence, Louisiana as of September 30, 2000, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with generally accepted accounting principles.

As described in Note A to the financial statements, the PHA changed from the Governmental Funds to the Enterprise Funds method for the year ended September 30, 1999.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2001 on our consideration of Housing Authority of Independence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Independence, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, Financial Data Schedule and other supplementary schedules are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information had been subjected to the auditing procedures applied in the audit of the combined general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the PHA, and for filing with the Department of HUD and should not be used for any other purpose.

Mike Estes, P.C.

Fort Worth, Texas
March 2, 2001

EXHIBIT A

HOUSING AUTHORITY OF INDEPENDENCE
COMBINED STATEMENT OF NET ASSETS - ENTERPRISE FUND
SEPTEMBER 30, 2000

LA - 099

Assets

Current assets

Cash and cash equivalents	\$ 63,422
Receivables - net of allowance	2,405
Due from other funds	14,971
Inventories - net of allowance	3,528
Tenant security deposits	5,061
Prepaid Insurance	7,158

Total current assets

96,545

Fixed assets - net of accumulated depreciation - Note E

1,095,112

Total assets

\$ 1,191,657

Liabilities

Current liabilities

Accounts payable	\$ 5,976
Accounts payable - HUD - Note K	15,070
Accrued payroll taxes and compensated absences	9,803
Interfund payable	14,971
Tenant security deposits	5,061
Deferred credits	90
Accrued PILOT	4,272

Total current liabilities

55,243

Total liabilities

55,243

Net Assets

Retained earnings	41,302
Contributed capital	1,095,112

Total Net Assets - Exhibit B

1,136,414

Total Liabilities and Net Assets

1,191,657

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF INDEPENDENCE
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2000

LA - 099

Revenues

Tenant revenue	\$ 65,663
HUD subsidy - Low Rent	68,011
HUD subsidy - Section 8	178,738
HUD CIAP soft costs grant	59,911
Interest income	1,325
Other revenue	7

Total Operating Revenue

373,655

Operating expenses

Administrative	81,640
Utilities	22,940
Maintenance	68,115
General expense	11,050
CIAP soft costs	22,605
HAP payments	156,415
Extraordinary Maintenance	5,602

Total operating expenses

368,367

Depreciation

99,506

Total expenses

467,873

Net operating loss

(94,218)

Retained earnings, 9/30/99

135,520

Retained earnings, 9/30/00

\$ 41,302

Contributed capital, 9/30/99

1,063,747

Current year additions

31,365

Contributed capital, 9/30/00

1,095,112

Total Net Assets, 9/30/00 - Exhibit A

\$ 1,136,414

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF INDEPENDENCE
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2000

LA - 099

Cash flows from operating activities:

Tenant revenue	\$ 65,663
Operating subsidies	306,660
Other operating revenue	7
Operating expenses	<u>(368,367)</u>
Net cash (used) in operating activities	<u>3,963</u>

Cash flows from capital and related financing activities

HUD CIAP hard cost advances	31,365
Equipment and CIAP additions	<u>(32,765)</u>
Net cash provided (required) by capital and financing activities	<u>(1,400)</u>

Cash flows from investing activities

Interest income	<u>1,325</u>
Net cash provided (used) from investing activities	<u>\$ 1,325</u>

The Notes to Financial Statements are an integral part of these statements.

EXHIBIT C

HOUSING AUTHORITY OF INDEPENDENCE
 COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUND (continued)
 YEAR ENDED SEPTEMBER 30, 2000

LA - 099

Adjustments

Changes in current assets and liabilities

Decrease in accounts receivable - other	\$ 157
Increase in inventories	(697)
Increase in prepaid insurance	(6,990)
Increase in security deposits	94
Decrease in accounts payable	(18,595)
Decrease in comp absences and payroll taxes	(1,624)
Increase in deferred credits	90

Total adjustments	<u>(27,565)</u>
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Change in cash and equivalents	(23,677)
Cash and equivalents beginning of year	<u>92,160</u>
Cash and equivalents end of year - Exhibit A	<u>\$ 68,483</u>

The Notes to Financial Statements are an integral part of these statements.

EXHIBIT D

HOUSING AUTHORITY OF INDEPENDENCE
COMPARISON OF ACTUAL HUD REVENUE AND
EXPENSES TO HUD BUDGETED
YEAR ENDED SEPTEMBER 30, 2000

LA - 099

	HUD Budget	Actual	Over (Under) Budget
Revenues			
Tenant revenue	\$ 69,990	\$ 65,663	\$ (4,327)
HUD subsidy - Low Rent	68,011	68,011	0
HUD subsidy - Section 8	193,808	178,738	(15,070)
HUD CIAP soft costs grant	37,805	59,911	22,106
Interest income	1,560	1,325	(235)
Other revenue	0	7	7
	<u>371,174</u>	<u>373,655</u>	<u>2,481</u>
Total operating revenue			
Operating expenses			
Administration	73,233	81,640	8,407
Utilities	20,060	22,940	2,880
Maintenance	64,761	68,115	3,354
General expense	22,516	11,050	(11,466)
Depreciation	0	99,506	99,506
CIAP soft costs	0	22,605	22,605
HAP payments	173,868	156,415	(17,453)
Extraordinary maintenance	10,800	5,602	(5,198)
	<u>\$ 365,238</u>	<u>\$ 467,873</u>	<u>\$ 102,635</u>
Total operating expenses			
Excess (deficient) revenues	5,936	(94,218)	(100,154)
Add:			
Depreciation - not budgeted by HUD	0	99,506	99,506
Deduct:			
Capital expenditures - budgeted by HUD	<u>6,300</u>	<u>0</u>	<u>6,300</u>
Excess (deficiency) of budgeted revenues over expenses	<u>\$ (364)</u>	<u>\$ 5,288</u>	<u>\$ 5,652</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE

The Housing Authority of Independence, Louisiana (the Authority), a public corporate body, was organized for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Independence, Louisiana. Each member serves a five-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities and housing assistance payments for eligible individuals.

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of September 30, 2000, and for the fiscal year then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

HOUSING AUTHORITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(2) Change in Accounting Principle

For the year ended September 30, 1999, the PHA changed from the Government Funds Method to the Enterprise Method. This change was strongly recommended by the Real Estate Assessment Center (REAC) of The Department of Housing and Urban Development.

The Enterprise Funds Method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The Enterprise Fund recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable. In the prior method used, the Governmental Funds Method, the modified accrual method was necessary.

Depreciation expense must be recognized for the Enterprise Fund. Under the Governmental Funds Method, depreciation was optional and the PHA elected not to recognize it.

The PHA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

At 9/30/99 soft costs from development and modernization were deleted from fixed assets and charged to HUD Capital Contributions.

HOUSING AUTHORITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(3) Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program and the Section 8 Programs. Annual budgets are not required for CIAP grants as their budgets are approved for the length of the project.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures. Budgeted amounts are as originally adopted or as amended by the Board and HUD.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, and demand deposits.

HOUSING AUTHORITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(5) Tenant Receivables

Receivables for rentals and service charges are reported in the General Fund, net of allowances for doubtful accounts.

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at September 30, 2000. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 - Uncollateralized, uninsured and unregistered, but with securities held by the bank, its trust department, or its agent, pledged to the PHA, but not in the PHA's name.

HOUSING AUTHORITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balance	Category		
	1	2	3
\$ <u>63,422</u>	\$ <u>63,422</u>	\$ <u></u>	\$ <u></u>

NOTE C - ACTIVITIES OF THE PHA

At September 30, 2000, the PHA was managing 58 units of low-rent in two projects under Program FW - 1407, and 55 units of Section 8 Vouchers.

NOTE D - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

HOUSING AUTHORITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE E - FIXED ASSETS

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	15 Years
Buildings	33 Years
Buildings improvements	15 Years
Nondwelling structures	15 Years
Equipment	3 to 7 Years

	09/30/00 Cost	09/30/99 Accumulated Depreciation	Current Depreciation	09/30/00 Accumulated Depreciation
Land	\$ 61,000	0	0	0
Buildings and Improvements	2,425,554	1,361,882	90,338	1,452,220
Equipment	72,568	32,985	9,168	42,153
Construction in progress	30,363	0	0	0
	<u>\$ 2,589,485</u>	<u>1,394,867</u>	<u>99,506</u>	<u>1,494,373</u>

The capitalization limit is \$300.00

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

HOUSING AUTHORITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE F - RETIREMENT PLAN

The entity provides benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six months exclusionary period. The employee contributes 5 % and the entity contributes 8 % of the employee's base salary each month. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20 % annually for each year of participation. An employee is fully vested after 5 years of participation.

NOTE G - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

NOTE H - ACCOUNTING FOR THE IMPAIRMENT OF LONG - LIVED ASSETS

The full amount of the carrying value of buildings and land improvements are deemed recoverable from future cash flows.

NOTE I - USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOUSING AUTHORITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

(continued)

SEPTEMBER 30, 2000

NOTE J - COMPENSATED ABSENCES

Employees earn annual leave based upon years of service, and may accrue up to 300 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued vacation time is paid. At 9/30/00 the PHA had a liability of \$8,157. Of the aforementioned amount, \$8,157 pertained to the prior year.

NOTE K - ACCOUNTS RECEIVABLE AND PAYABLE - HUD

Accounts receivable and payable - HUD are comprised as follows:

Accounts Payable	\$ <u>15,070.00</u>	Section 8
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SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF INDEPENDENCE

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST

ANNUAL CONTRIBUTION CONTRACT

LA - 099

1. The Actual Modernization Costs are as follows:

	Project 1997
Funds Approved	\$ 422,625
Funds Expended	<u>422,625</u>
Excess of Funds Approved	<u>0</u>
Funds Advanced	\$ 422,625
Funds Expended	<u>422,625</u>
Excess of Funds Advanced	<u>0</u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated March 21, 2000 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF INDEPENDENCE
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

SEPTEMBER 30, 2000

CASH BASIS

	Project 1999	Project 2000
	<u> </u>	<u> </u>
Funds Approved	\$ 102,305.00	\$ 115,062.00
Funds Expended	<u>81,791.18</u>	<u>1,060.00</u>
Excess of Funds Approved	<u>20,513.82</u>	<u>114,002.00</u>
Funds Advanced	\$ 83,938.13	\$ 0
Funds Expended	<u>81,791.89</u>	<u>1,060.00</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 2,146.24</u>	<u>\$ (1,060.00)</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF INDEPENDENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2000

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U.S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	68,011
Major Program Total		<u>68,011</u>
Section 8 Hap - Vouchers	14.855	178,738
Major Program Total		<u>178,738</u>
Comprehensive Improvement Assistance Program	14.852	92,336
Major Program Total		<u>92,336</u>
Total HUD		<u>\$ 339,085</u>

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MEMBER
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Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Housing Authority of Independence
Independence, Louisiana

We have audited the compliance of the Housing Authority of Independence, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2000. The Housing Authority of Independence, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Independence, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Independence, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Independence, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Independence, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Independence, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 2, 2001.

Internal Control Over Compliance

The management of The Housing Authority of Independence, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Independence, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P.C.

Fort Worth, Texas
March 2, 2001

The Notes to Financial Statements are an integral part of these statements.

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PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Governmental Auditing Standards

Housing Authority of Independence
Independence, Louisiana

We have audited the financial statements of the Housing Authority of Independence, Louisiana as of and for the year ended September 30, 2000, and have issued our report thereon dated March 2, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of Independence, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*, or the Louisiana Governmental Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Independence, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is a matter of public record and its distribution is not limited.

Mike Estes, P. C.

Fort Worth, Texas
March 2, 2001

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF INDEPENDENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2000

Prior Audit Findings and Questioned Costs

The prior audit report contained two audit findings. One was that the PHA could not document an annual review of utility rates. The second finding was that MASS Indicator #4, Work Orders, W106, was not computed correctly. Both findings are cleared.

Current Audit Findings

None.

PHA: LA099 FYED: 09/30/2000

Line Item #	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Section 8 Rental Voucher Program	Total
111	Cash - Unrestricted	\$37,887	\$0	\$25,535	\$63,422
114	Cash - Tenant Security Deposits	\$5,061	\$0	\$0	\$5,061
100	Total Cash	\$42,948	\$0	\$25,535	\$68,483
122	Accounts Receivable -HUD Other Projects	\$1,060	\$0	\$0	\$1,060
126.1	Allowance for Doubtful Accounts- Dwelling Rents	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts- Other	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$1,300	\$0	\$45	\$1,345
120	Total Receivables, net of allowances for doubtful accounts	\$2,360	\$0	\$45	\$2,405
142	Prepaid Expenses and Other Assets	\$7,158	\$0	\$0	\$7,158
143	Inventories	\$3,528	\$0	\$0	\$3,528
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$14,971	\$0	\$0	\$14,971
150	Total Current Assets	\$70,965	\$0	\$25,580	\$96,545
161	Land	\$61,000	\$0	\$0	\$61,000
162	Buildings	\$1,872,817	\$293,870	\$0	\$2,166,687
163	Furniture, Equipment & Machinery -Dwellings	\$15,918	\$11,836	\$0	\$27,754
164	Furniture, Equipment & Machinery -Administration	\$33,348	\$11,466	\$0	\$44,814
165	Leasehold Improvements	\$250,117	\$8,750	\$0	\$258,867
166	Accumulated Depreciation	\$-1,469,804	\$-24,569	\$0	\$-1,494,373
167	Construction In Progress	\$0	\$30,363	\$0	\$30,363
160	Total Fixed Assets, Net of Accumulated Depreciation	\$763,396	\$331,716	\$0	\$1,095,112
180	Total Non-Current Assets	\$763,396	\$331,716	\$0	\$1,095,112
190	Total Assets	\$834,361	\$331,716	\$25,580	\$1,191,657

PHA: LA099 FYED: 09/30/2000

Line Item No.	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Section 8 Rental Voucher Program	Total
312	Accounts Payable <= 90 Days	\$5,976	\$0	\$0	\$5,976
321	Accrued Wage/Payroll Taxes Payable	\$1,646	\$0	\$0	\$1,646
322	Accrued Compensated Absences	\$8,157	\$0	\$0	\$8,157
331	Accounts Payable- HUD PHA Programs	\$0	\$0	\$15,070	\$15,070
333	Accounts Payable- Other Government	\$4,272	\$0	\$0	\$4,272
341	Tenant Security Deposits	\$5,061	\$0	\$0	\$5,061
342	Deferred Revenues	\$90	\$0	\$0	\$90
347	Interprogram Due To	\$0	\$0	\$14,971	\$14,971
310	Total Current Liabilities	\$25,202	\$0	\$30,041	\$55,243
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$0
300	Total Liabilities	\$25,202	\$0	\$30,041	\$55,243
503	Long-term Debt - HUD Guaranteed	\$485,807	\$0	\$0	\$485,807

504	Net HUD PHA Contributions	\$277,589	\$331,716	\$0	\$609,305
508	Total Contributed Capital	\$763,396	\$331,716	\$0	\$1,095,112
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
512	Undesignated Fund Balance/Retained Earnings	\$45,763	\$0	\$-4,461	\$41,302
513	Total Equity	\$809,159	\$331,716	\$-4,461	\$1,136,414
600	Total Liabilities and Equity	\$834,361	\$331,716	\$25,580	\$1,191,657

PHA: LA099 FYED: 09/30/2000

Line Item No.	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Section 8 Rental Voucher Program	Total
703	Net Tenant Rental Revenue	\$65,663	\$0	\$0	\$65,663
705	Total Tenant Revenue	\$65,663	\$0	\$0	\$65,663
706	HUD PHA Grants	\$68,011	\$59,911	\$178,738	\$306,660
711	Investment Income- Unrestricted	\$530	\$0	\$795	\$1,325
715	Other Revenue	\$7	\$0	\$0	\$7
700	Total Revenue	\$134,211	\$59,911	\$179,533	\$373,655

PHA: LA099 FYED: 09/30/2000

Line Item No.	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Section 8 Rental Voucher Program	Total
911	Administrative Salaries	\$28,733	\$0	\$11,415	\$40,148
912	Auditing Fees	\$4,117	\$0	\$2,255	\$6,372
914	Compensated Absences	\$-1,603	\$0	\$0	\$-1,603
915	Employee Benefit Contributions- Administrative	\$7,725	\$0	\$6,228	\$13,953
916	Other Operating- Administrative	\$7,468	\$22,605	\$15,302	\$45,375
931	Water	\$4,178	\$0	\$0	\$4,178
932	Electricity	\$6,297	\$0	\$0	\$6,297
933	Gas	\$781	\$0	\$0	\$781
938	Other Utilities Expense	\$11,684	\$0	\$0	\$11,684
941	Ordinary Maintenance and Operations- Labor	\$25,088	\$0	\$0	\$25,088
942	Ordinary Maintenance and Operations- Materials and Other	\$12,576	\$0	\$0	\$12,576
943	Ordinary Maintenance and Operations- Contract Costs	\$23,563	\$0	\$38	\$23,601
945	Employee Benefit Contributions- Ordinary Maintenance	\$6,850	\$0	\$0	\$6,850
961	Insurance Premiums	\$6,277	\$0	\$6	\$6,283
963	Payments in Lieu of Taxes	\$4,272	\$0	\$0	\$4,272
964	Bad Debt - Tenant Rents	\$495	\$0	\$0	\$495
969	Total Operating Expenses	\$148,501	\$22,605	\$35,244	\$206,350
970	Excess Operating Revenue over Operating Expenses	\$-14,290	\$37,306	\$144,289	\$167,305
971	Extraordinary Maintenance	\$5,602	\$0	\$0	\$5,602
973	Housing Assistance Payments	\$0	\$0	\$156,415	\$156,415
974	Depreciation Expense	\$74,937	\$24,569	\$0	\$99,506
900	Total Expenses	\$229,040	\$47,174	\$191,659	\$467,873
1001	Operating Transfers In	\$37,305	\$0	\$0	\$37,305
1002	Operating Transfers Out	\$0	\$-37,305	\$0	\$-37,305
1010	Total Other Financing Sources (Uses)	\$37,305	\$-37,305	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-57,524	\$-24,568	\$-12,126	\$-94,218

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Line Item No.	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Section 8 Rental Voucher Program	Total
1101	Capital Outlays Enterprise Fund	\$0	\$31,365	\$0	\$31,365
1102	Debt Principal Payments- Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$866,683	\$324,919	\$7,665	\$1,199,267
1112	Depreciation Add Back	\$74,937	\$24,569	\$0	\$99,506
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$194,822	\$194,822

1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$164,342	\$164,342
1116	Total Annual Contributions Available	\$0	\$0	\$359,164	\$359,164
1120	Unit Months Available	696	0	660	1,356
1121	Number of Unit Months Leased	680	0	584	1,264